

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

BERKSHIRE GAS COMPANY

D.T.E. 04-47

**ATTORNEY GENERAL'S FIRST SET OF
DOCUMENT AND INFORMATION REQUESTS**

- AG-1-1 Please provide a complete copy of the Company's 2002 Optimization Agreement and Gas Purchase Agreement (collectively, "2002 Agreement"), including all amendments, attachments, schedules, and reports. Include a confidential copy as well as a redacted copy.
- AG-1-2 Please provide a red-lined document showing the changes from the 2002 Agreement to the 2004 Optimization Agreement and Gas Purchase Agreement (collectively, "2004 Agreement"), including all attachments, schedules and reports.
- AG-1-3 Please explain whether, how, and with what effect the penalty clause described in paragraph 13.3 of the 2004 Optimization Agreement will be triggered given that the Department will not have released its order before July 31, 2004.
- AG-1-4 Please provide a complete copy of the Company's June 17, 2003 optimization performance report, including attachments A and B, filed in D.T.E. 02-19.
- AG-1-5 Please quantify on a monthly basis and describe how the costs and benefits were distributed under the Gas Portfolio Optimization Agreement approved in DTE 02-19 among the Energy East Affiliates, including Berkshire. With this response include all calculations, assumptions, worksheets, transaction journal entries and copies of all related written and electronic correspondence.
- AG-1-6 Please quantify on a monthly basis and describe how the allocation of the costs and benefits listed in response to AG-1-5 were affected by any affiliate agreements or transactions among the Energy East Affiliates. With this response include all assumptions, worksheets, invoices and related affiliate contracts, including but not limited to affiliate services agreements.

- AG-1-7 Does the proposed alliance arrangement described in the April 27, 2004, filing by the Company contain a guaranteed minimum payment to Berkshire for the use of the Company's gas portfolio? If yes, please state the annual minimum payment amount for 2004, and explain with specific reference to clauses in the 2004 Gas Portfolio Optimization Agreement and any other affiliate contracts or agreements, how this figure will be calculated. For purposes of the response to this information request, exclude any amounts from the guaranteed minimum payment that may become due to the Company as result of "savings," as that term is defined in the Gas Portfolio Optimization Agreement.
- AG-1-8 Can the annual minimum payment amount, if any, described in the response to AG-1-7 ever be reduced for any reason, including, for purposes of illustration rather than limitation, losses due to management of Berkshire's gas portfolio? If yes, please state the circumstances.
- AG-1-9 Under any circumstances, can the guaranteed annual minimum payment amount ever be \$0 or a negative amount for Berkshire? If yes, please state the circumstances.
- AG-1-10 Are there any financial or other benefits that may accrue to either to Berkshire or to the other members of the alliance arrangement, or their affiliates, that are not included within the definition of "savings," as that term is defined in the 2004 Gas Portfolio Optimization Agreement? If so, please list the benefits by alliance member or affiliate.
- AG-1-11 Does the term "portfolio" as defined in the 2004 Gas Portfolio Optimization Agreement constitute a complete list of agreements related to gas transportation, storage and supply that Berkshire holds, owns, controls or otherwise has a beneficial interest in? Please list any other agreements, if they exist.
- AG-1-12 Please explain in complete detail how the dollar amounts were determined for "participating share," "benchmark", "aggregate minimum savings" and "aggregate savings sharing level" as those terms are defined respectively in the 2004 Gas Portfolio Optimization Agreement. Include in the explanation all assumptions, calculations, studies, reports and work papers.
- AG-1-13 Please list the liabilities, including those liabilities for which Berkshire must indemnify the BP Energy Company and/or others under the 2004 Gas Portfolio Optimization Agreement, which may result from the operation of the alliance arrangement.
- AG-1-14 Please provide a copy of Berkshire's derivative policy and a copy of the Department's approval of such.

- AG-1-15 Please explain in compete detail how the Energy East Corporation may benefit from the operation of the alliance arrangement and any related services contracts with any of its affiliates.
- AG-1-16 Does the Energy East Corporation or any non-Berkshire affiliate maintain any control or influence over Berkshire's gas portfolio optimization transactions? Please explain the nature of this influence or control. Provide all documents, agreements, unilateral operations, procedures and policies governing Energy East's control.
- AG-1-17 Will Berkshire, or some other entity on its behalf, coordinate its portfolio optimization transactions with the New York State Electric & Gas Corporation, Connecticut Natural Gas Corporation and/or the Southern Connecticut Gas Company? Please explain how the portfolio optimization transactions will be coordinated and whether these transactions will ever financially benefit the New York State Electric & Gas Corporation, Connecticut Natural Gas Corporation and/or the Southern Connecticut Gas Company at the expense of Berkshire.
- AG-1-18 Please explain in compete detail how the New York State Electric & Gas Corporation, Connecticut Natural Gas Corporation and the Southern Connecticut Gas Company may benefit from the operation of the alliance arrangement and any related services contract.
- AG-1-19 Please produce copies of all documents relating to the request for proposals ("RFP") for the "Berkshire RFP" and the "Joint RFP", as those terms are defined in the Company's April 27, 2004 filing letter. Include in this response copies of all the initial request letter(s) sent to each bidder, any updates, modification or amendments to the RFPs and any responses sent by the RFP recipients. Include in this response all evaluations, studies, reports and work papers related to the RFP responses.
- AG-1-20 Discuss in detail how each of the RFP respondents were evaluated by Berkshire and the other Energy East Affiliates.
- AG-1-21 Please explain the criterion used to create the list of recipients for the Berkshire RFP and the Joint RFP, as those terms are defined in the Company's April 27, 2004 filing letter.
- AG-1-22 Please produce copies of all agreements among Berkshire, Energy East Corporation, BP Energy Company, New York State Electric & Gas Corporation, Connecticut Natural Gas Corporation and/or the Southern Connecticut Gas Company (or any combination of these companies) regarding the management or optimization of gas portfolios. Include in this response copies of the gas portfolio optimization agreements of the named Energy East Corporation affiliates and

agreements concerning gas portfolio management that may exist among or between the affiliates themselves.

- AG-1-23 Please explain how Berkshire intends to fulfill its obligation to provide least cost and reliable service in light of the terms of the 2004 Gas Portfolio Optimization Agreement and Gas Sales and Purchase Agreement.
- AG-1-24 Please produce copies of the 11 responses to the Company's Joint RFP referenced in Ms. Zink's testimony at 8.
- AG-1-25 Please identify the names of the four short-list companies referenced in Ms. Zink's testimony at 8. Please explain why the Company viewed the final four proposals as better than the remaining seven proposals.
- AG-1-26 Please explain why the Company viewed the BP proposal better than the four finalists.
- AG-1-27 Please list and explain all (not just the major) differences between the 2002 Optimization Agreement and Gas Purchase Agreement and the 2004 Optimization Agreement and Gas Purchase Agreement.
- AG-1-28 Please list BP's assessments of market conditions which formed the basis for the Company's adjustment to aggregated guaranteed minimum savings (Zink testimony at 10).
- AG-1-29 Please explain in greater detail the Company's asserted continuity, deal-making ability, and start-up benefits from using the proposed 3-year contract term over a 2-year contract (Zink testimony at 11).
- AG-1-30 Please provide a detailed description of the results and savings arising from the 2002 Optimization Agreement for the 12-month period from April 1, 2002 - March 31, 2003.
- AG-1-31 Please provide a detailed description of the results and savings arising from the 2002 Optimization Agreement for the 12-month period from April 1, 2003 - March 31, 2004.
- AG-1-32 Please explain why the Company seeks to exclude portions of Par. 13.3 of the 2004 Optimization Agreement.
- AG-1-33 Please produce copies of all internal and external audits reports conducted on the Company's and BP's performance under the 2002 Optimization Agreement.
- AG-1-34 Please explain the operating differences between the 2002 Optimization

Agreement and the 2004 Optimization Agreements.

- AG-1-35 Please list the changes the Company made as a result of any internal or external audits of BP's performance under the 2002 Optimization Agreement.
- AG-1-36 Please explain the Company's justification for netting legal fees from the optimization profits under the 2004 Optimization Agreement.
- AG-1-37 Please explain how approving the 2004 Optimization Agreement will benefit Berkshire and its ratepayers. As part of this response, please describe the other market offerings to which the Company compared the 2004 Optimization Agreement in determining the benefit amount.
- AG-1-38 Please state whether Berkshire solicited and/or received a bid from BP for the Joint RFP. If the Company did not solicit a bid, please explain the Company's reasons for not soliciting a BP bid.
- AG-1-39 Please explain how potential bidders, including BP, were notified of the Joint RFP, the bid criteria, and the bid selection process.
- AG-1-40 Please produce a copy of the Joint RFP.
- AG-1-41 Please explain the optimization benefits that the Company achieved by participating in the 2002 Optimization Agreement.
- AG-1-42 Please explain the optimization benefits that the Company expects to achieve in the 2004 Optimization Agreement.
- AG-1-43 Please identify the Company's efforts toward securing a least-cost resource plan.
- AG-1-44 Please identify the Company's resource portfolio objectives.
- AG-1-45 Please describe and quantify how much the Company would have paid for natural gas, storage and transportation if the 2002 Optimization Agreement had not been in place.
- AG-1-46 Please identify all gas-related savings the Company realized through its membership in the Alliance.
- AG-1-47 Please identify the incentives BP has to provide gas savings to the Company.
- AG-1-48 Please identify how the Company's savings achieved through the 2002 Optimization Agreement flowed to its ratepayers.

- AG-1-49 Please explain how the costs and savings will be allocated among the Alliance companies and between the Alliance companies and Berkshire.
- AG-1-50 In allocating savings, please explain how BP keeps track of which company's assets are used to generate the savings.
- AG-1-51 If the Company performed internal audits of BP's performance under the 2002 Optimization Agreement, please provide: (1) the names, titles, and job description of the personnel who performed the internal audit; (2) their training and experience in internal auditing; (3) their specific functions in performing the audits; and (4) copies of the internal audit reports.
- AG-1-52 Did the Company allow external auditors to review the 2002 Optimization Agreement internal audit reports, as the Company promised in 02-19 [See DTE 02-19 Order, p. 18]? If so, provide: (1) the names, titles, and job description of the personnel who performed the external audit; (2) their training and experience in internal and external auditing; (3) their specific functions in performing the external audit; (4) copies of the external audit; and (5) copies of the evaluations that were to be done by the external auditors.
- AG-1-53 Explain how the Company has refined the allocation methodology since the 2002 Optimization Agreement, as ordered by the Department in DTE 02-19 (Order, p. 19).
- AG-1-54 Provide copies of all documentation of all BP transactions under the 2002 Optimization Agreement as directed by the Department in DTE 02-19 (Order, p. 19).
- AG-1-55 Provide copies of all reports, including attachments, filed with the Department detailing the refinements to the allocation methodology, including the savings dollars accruing to the Company and how the savings were generated and allocated among the LDCs, and a summary of the BP transactions on behalf of the Company, as the Department directed in DTE 02-19 (Order, p. 19).
- AG-1-56 Please provide copies of all reports, including attachments, filed with the Department that identify all problems that arose during the implementation of the 2002 Optimization Agreement and how the Company and BP dealt with them, as directed by the Department in DTE 02-19 (Order, p. 19).
- AG-1-57 Please identify the gas supply contracts that were available to the Company during the term of the 2002 Optimization Agreement.
- AG-1-58 Explain why the Department should use margin-sharing principles generated in DPU 93-141-A for capacity release contracts to margin-sharing for optimization

agreements.

- AG-1-59 Please provide in complete detail, for each category, the peak and off-peak amount of revenue subject to margin sharing for the past 5 years. Include the breakdown of the amount split between customers and the Company and the dates that the customers received their allocation. Provide all supporting assumptions, calculations, and work papers.
- AG-1-60 Please explain how a targeted incentive program like margin sharing is in the public interest.
- AG-1-61 Identify the specific policy objectives that the Company's margin sharing mechanism is intended to promote.
- AG-1-62 Please demonstrate why a broad-based proposal would fail to meet the Company's policy objectives.
- AG-1-63 Please identify how the Company minimized the inconsistencies between the Company's targeted incentive and the overall goals of a broad-based proposal.
- AG-1-64 Please identify the "core principles" of the 2002 and 2001 Optimization Agreements referenced in Ms. Zink's testimony, p. 3.
- AG-1-65 Regarding the Company's June 17, 2003 optimization performance report filed in DTE 02-19, please explain: (1) why the LDCs, not BP, determined the savings categories to the LDCs; and (2) what were the savings allocation categories for the 2002-2003 term of the 2002 Optimization Agreement.
- AG-1-66 Regarding the Company's June 17, 2003 optimization performance report filed in DTE 02-19, please identify the Allocation Team by name, title, organization, job description, experience, and specific responsibilities regarding the Agreement allocations.
- AG-1-67 What were the savings allocation categories for the 2002-2003 and 2003-2004 terms of the 2002 Optimization Agreement? Explain any differences.
- AG-1-68 Please provide the monthly cash flow reconciliation reports and the two selected monthly report analyses for the 2002-03 term referenced in the Company's June 17, 2003 and August 5, 2004 optimization performance reports.
- AG-1-69 Please provide a workable spreadsheet that reflects BP's actual optimization payments to each LDC based on participating share, as referenced in the Company's June 17, 2003 and August 5, 2004 optimization performance reports.

- AG-1-70 Please provide a workable spreadsheet that reflects the LDCs “true-up” reconciliations based on verified allocations for the 2002-03 term, as referenced in the Company’s June 17, 2003 optimization performance report.
- AG-1-71 Please provide a complete copy, including Attachments A and B, of the Company’s June 17, 2003 optimization performance report.
- AG-1-72 Please explain in greater detail and itemize the adjustments referenced in Attachment B of the Company’s June 17, 2003 optimization performance report. Provide copies of the invoices that substantiate these adjustments.
- AG-1-73 Please provide supporting evidence to substantiate the Company’s claim that “the alliance resulted in significant cost savings beyond that which might be obtained from the Company’s approved supply contracts.” Company’s June 17, 2003 optimization performance report, p. 3.
- AG-1-74 Please provide copies of the monthly Energy East Alliance Schedules 16(a) - (f) reports for the 2002-03 and 2003-04 terms of the 2002 Optimization Agreement.
- AG-1-75 Please provide copies of the monthly Energy East Alliance Schedule 16b “Sources of Value Summary” reports for the 2002-03 and 2003-04 terms of the 2002 Optimization Agreement, Exh. B-11.
- AG-1-76 Refer to the August 5, 2004 report filed in compliance with DTE 02-19. Please provide schedules that are equivalent to Attachment A for each of the prior years that the Company has engaged BP to provide similar services.
- AG-1-77 Refer to the August 5, 2004 report filed in compliance with DTE 02-19. Please describe each dispute that the Company or any affiliate had with BP during the period covered by the report. Include the issues in dispute, date the disputed event took place, the date the dispute was initiated, citations to the governing sections of the agreement, copies of the cited section, the amount of the dispute, how the dispute was resolved, the resolution date and how and when any disputed amounts were recovered from the Company’s customers.
- AG-1-78 Refer to the August 5, 2004 report filed in compliance with DTE 02-19. Please provide the details of the full amount of the “external legal costs.” Include copies of all invoices.
- AG-1-79 Refer to the August 5, 2004 report filed in compliance with DTE 02-19. Has the Company recovered external legal costs for CGA activity that were not approved as part of a base rate case through the CGA? If yes, please explain when these costs were incurred, provide the amount and provide a copy of the Department’s approval order.

AG-1-80 Refer to the August 5, 2004 report filed in compliance with DTE 02-19. Please provide the details of all “charges from affiliates associated with the alliance” discussed on page 2 of the filing letter. Categorized the charges by transaction type, affiliate that incurred the underlying cost, the allocation factors used to allocate the charges, the basis for each allocation and copies of all related inter-company agreements. The charges should be broken down by BP contract year and detailed separately for each quarter (consistent with the way the optimization savings are shown in Attachment A.